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INCREASES STUDENT AID FUNDING AT
CALIFORNIA PUBLIC COLLEGES AND
UNIVERSITIES BY ENACTING A
DEDICATED TAX ON SOME ESTATES.
INITIATIVE CONSTITUTIONAL
AMENDMENT AND STATUTE.

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INCREASES STUDENT AID FUNDING AT CALIFORNIA PUBLIC COLLEGES AND UNIVERSITIES BY ENACTING A DEDICATED TAX ON SOME ESTATES. INITIATIVE CONSTITUTIONAL AMENDMENT AND STATUTE. California Initiative 1835 (2017).

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The Attorney General of California has prepared the following title and summary of the chief purpose and points of the proposed measure:

INCREASES STUDENT AID FUNDING AT CALIFORNIA PUBLIC COLLEGES AND UNIVERSITIES BY ENACTING A DEDICATED TAX ON SOME ESTATES.

INITIATIVE CONSTITUTIONAL AMENDMENT AND STATUTE. Increases student aid funding for undergraduate students at University of California, California State University, and California Community Colleges, by enacting a dedicated tax (ranging from 12-22%, depending on value) on estate property in California valued at \$3.5 million or more and transferred upon death. Exempts revenue from constitutionally required: annual state spending limit, minimum-funding guarantee for schools, and state budget reserve deposits. Requires that revenue would supplement, and not replace, existing financial aid programs for college students. Summary of estimate by Legislative Analyst and Director of Finance of fiscal impact on state and local government: **Increased state revenues of a few billion dollars annually, ramping up over the initial few years—with amounts depending upon economic trends, future legislative actions, and taxpayer decisions. The increased revenues would be dedicated first to subsidizing the costs of higher education for students, with any remaining monies dedicated to public education. (17-0038.)**

November 8, 2017

RECEIVED**NOV 15 2017****By OVERNIGHT REGISTERED MAIL**

To: The Office of the Attorney General
 Attn: Ashley Johansson, Initiative Coordinator
 P.O. Box 944255
 Sacramento, CA 94244-2550

INITIATIVE COORDINATOR
 ATTORNEY GENERAL'S OFFICE

Re: The College for All Act of 2018 Amendment: Request for Circulating Title and
 Summary of Amended Initiative;

Dear Ms. Johansson:

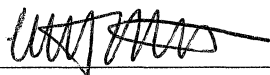
Pursuant to Elections Code §9002(b), this letter submits an amendment to the above initiative, received by your office on October 11, 2017. The changes to the initiative in this amendment are:

- 1) the addition of the phrase "*up to four years of*" in new Education Code sections 101155(d) and 101164(b); and
- 2) the substitution of "\$1,672 for the 2017-18 academic year" for "\$1,656 as of January 1, 2017" in new Education Code section 101155(b).


We have attached both a clean and redlined version of the changes. These amendments are "reasonably germane to the theme, purpose, or subject of the initiative measure as originally proposed." Elections Code §9002(b). This letter therefore respectfully requests that the Attorney General prepare a circulating title and summary of the enclosed proposed statewide initiative "The College for All Act of 2018," as amended.

Please continue to direct all inquiries and correspondence regarding this proposed initiative to: Danielle Leonard, Altshuler Berzon LLP, 177 Post Street, Suite 300, San Francisco, CA 94108, Phone: 415-421-7151, Email: dleonard@altber.com.

Sincerely,



Lolita Roibal
 1520 Alcatraz Unit B
 Berkeley, California
 94703



Lavanya Chekuru
 1520 Alcatraz Unit A
 Berkeley, California
 94703

Enclosures: Initiative language, as amended; redline

Proposition ## - Full Text of the Proposed Law

This initiative measure is submitted to the people in accordance with the provisions of Article II, Section 8 of the California Constitution.

This initiative measure expressly amends the California Constitution by adding sections thereto, and adds sections to and amends the Revenue and Taxation Code and the Education Code. Existing provisions proposed to be deleted are printed in ~~strikeout~~ type and new provisions proposed to be added are printed in *italic* type to indicate that they are new.

PROPOSED LAW

THE COLLEGE FOR ALL ACT OF 2018

SECTION 1. Title. This measure shall be known as the "College for All Act of 2018."

SECTION 2. Findings and Declarations. The people find and declare as follows:

(a) There is a compelling need to make public college education in California affordable, by providing additional financial assistance to all California students enrolled in California's institutions of higher education. With this initiative California could once again lead the way in the United States in ensuring that higher education is a right, not just a privilege.

(b) Public funding for higher education has eroded in recent decades, and the corresponding dramatic increases in tuition and fees have put college out of reach for many Californians. Since 1992, tuition and fees at the University of California and California State University have increased by over 300 percent.

(c) The current cost of a college education is inconsistent with California's long-standing historical commitment to providing educational opportunity to all by ensuring universal student access and opportunity to select an institution of higher education for students, without regard to ability to pay or incur debt.

(d) The California Legislature created the Cal Grant program in 2001 to counteract the increasing cost of higher education in California. At the time, the Cal Grant Program represented the greatest expansion of access to higher education in California since the federal government implemented the G.I. Bill.

(e) The Cal Grant program, and other forms of financial assistance available to students in California, currently fall far short of what is necessary to provide a truly affordable college education for all. Over time, the Cal Grant program has been limited in significant ways, and does not currently provide assistance to many students who could use help paying for college. The average University of California or California State University student now graduates approximately \$20,000 in debt.

(f) High debt levels are increasingly slowing down the economy, as Californians laboring under student loan debt are postponing starting families and buying houses, and are less likely to start businesses or engage in other entrepreneurial activities that drive the economy.

(g) Increasing access to affordable higher education will fuel economic growth in California. Studies show that every additional college graduate not only generates significant benefits for that individual including in the form of higher average income, but also leads to greater economic activity at the local and regional level, driving economic prosperity for all.

(h) At the same time that public funds for our higher education system have eroded, requiring our universities to charge higher and higher prices, income and wealth inequality in California has grown, with profound impacts on the State and its residents.

(i) Over a decade ago, California also stopped using one of the most effective taxes for reducing inequality and helping build broadly shared prosperity: the estate tax. The State of California for many years used to tax inheritance and estates of wealthy individuals, but allowed its state estate tax to expire in 2005. Since 2005, high-wealth estates in California – even those worth *billions* – have paid no state estate tax at all.

(j) At the same time, the federal government has dramatically increased the exemption from the federal estate tax for wealthy individuals. While estates worth \$675,000 or more were taxed in the early 2000s, as of 2017 the federal government taxed only estates worth \$5.49 million or more (and that level is effectively double for married couples). As a result, many multi-million dollar estates in California pay no federal estate taxes either.

(k) Currently 18 other states impose estate taxes in addition to the federal estate tax – including states like New York and Pennsylvania with substantial economies. Those other states benefit from \$4.5 billion in state estate tax revenue to support critical government services including education.

(l) Renewing the California estate tax will offset the reduction in taxes that high-wealth estates have been given at the federal level, and will offset the considerable savings on property taxes that high-wealth individuals receive by living in California.

(m) A renewed estate tax that is modeled on the federal system of deductions and credits as of 2017 can also largely exempt small businesses and family farms, and thereby focus the impact of the tax on the truly wealthy.

(n) A renewed California estate tax imposed on high-value estates – those worth \$3.5 or more -- will generate billions of additional dollars to support access to higher education. This tax will fund a renewed commitment by California to provide affordable college education for all.

SECTION 3. Purpose and Intent. The people of the State of California hereby declare their purpose and intent in enacting this act to be as follows:

(a) To provide increased access for all Californians to California's world-class system of public higher education, including the University of California, California State University, and California Community Colleges.

(b) To supplement California's existing state-funded Cal Grant program to ensure that access to public higher education is made available to all Californians regardless of socio-economic status or family financial resources.

(c) To add to existing levels of funding for student financial assistance without allowing existing sources to reduce current levels of funding or to increase student tuition and fees.

(d) To help stabilize funding sources for California's systems of higher education by re-instating a tax on inherited wealth in California that was previously phased out in 2005 to the benefit of the wealthy.

SECTION 4. Article 13E, which shall be titled Funding for Access to Higher Education, is added to the California Constitution, to read:

Section 1. Universal College Access Fund

(a) *There is created in the State Treasury the Universal College Access Fund.*

(b) *The Universal College Access Fund is created in the State Treasury for the exclusive purpose of funding access to public higher education in California.*

(c) *All moneys and remittances received by the Franchise Tax Board pursuant to Section 2 of this Article, and any implementing statutes or regulations, shall be deposited in the State Treasury and credited to the Universal College Access Fund.*

Section 2. California Estate Tax

(a) *For each taxable year beginning on or after January 1, 2019, in addition to any other taxes imposed by California law, a tax shall be imposed on the transfer of the taxable estate of every decedent who is a resident of California or who owned real or tangible property located in California, which shall be hereinafter referred to as the "California Estate Tax."*

(b) The California Estate Tax shall be calculated by applying the tax rates set forth in subdivision (c) to the sum total of the value of the taxable estate and the value of any adjusted taxable gifts, and then subtracting any additional applicable credits.

(c) The California Estate Tax shall be calculated at the following rates, for any combined taxable estate and adjusted taxable gifts valued at \$3.5 million or more:

- (i) 12% of the value of the combined taxable estate and adjusted taxable gifts of \$3.5 million up to \$4 million;*
- (ii) 15% of the value of the combined taxable estate and adjusted taxable gifts of \$4 million up to \$4.5 million;*
- (iii) 17% of the value of the combined taxable estate and adjusted taxable gifts of \$4.5 million up to \$5 million;*
- (iv) 20% of the value of the combined taxable estate and adjusted taxable gifts of \$5 million up to \$5.49 million;*
- (v) 22% of the value of the combined taxable estate and adjusted taxable gifts more than \$5.49 million.*

(d) Definitions. For purposes of this Section:

(i) "Adjusted taxable gifts" has the same meaning and value as under the versions of Chapter 12 of the federal Internal Revenue Code (26 U.S.C. §2501 et seq.) and 26 U.S.C. §2001 in effect as of January 1, 2017.

(ii) "Applicable credits" means the applicable credits available under the version of Chapter 11, Part 2 of the federal Internal Revenue Code (26 U.S.C. §2010 et seq.) in effect as of January 1, 2017.

(iii) "Decedent" has the same meaning as the version of 26 U.S.C. §2001 in effect as of January 1, 2017;

(iv) "Gross estate" has the same meaning as the version of 26 U.S.C. §2031 in effect as of January 1, 2017. The value of the gross estate shall be calculated consistent with the version of Chapter 11, Part 3 of the federal Internal Revenue Code (26 U.S.C. §2031 et seq.) in effect as of January 1, 2017;

(v) "Taxable estate" has the same meaning as in the version of 26 U.S.C. §2051 in effect as of January 1, 2017. The deductions that are subtracted from the gross estate to calculate the taxable estate shall be the same as those set forth under federal law in the version of Chapter 11, Part 4 of the federal Internal Revenue Code (26 U.S.C. §2051 et seq.) in effect as of January 1, 2017;

(vi) "Transfer" has the same meaning as the version of 26 U.S.C. §2001 in effect as of January 1, 2017.

(e) For purposes of calculating the California Estate Tax of a decedent who was a resident of California at the time of death, all of the transferred property has a tax situs in this State, including any such property held in trust, except real or tangible property physically situated in another state. Any intangible property owned by a resident of California is located in California. For purposes of calculating the California Estate Tax of a decedent who was not a resident of California but who owned real or tangible property physically situated in California, the gross estate, taxable estate and adjusted taxable gifts shall include only the real or tangible property physically situated in California.

(f) The California Estate Tax is a stand-alone estate tax that incorporates only those provisions of the federal internal revenue code in effect as of January 1, 2017 that do not conflict with the provisions of this chapter. The California Estate Tax is independent of any federal estate tax obligation and shall not be affected by termination or reduction of the federal estate tax or the existence of any federal credit for the payment of state estate taxes.

(g) The Legislature may enact legislation to adjust the combined taxable estate and adjusted taxable gifts value levels and tax rates set forth in subdivision (c), to apply to any tax year beginning January 1, 2020 or later, by a roll call vote of two-thirds of the membership of both houses of the Legislature and without voter approval through the initiative process, provided that any such adjustments shall be consistent with the purposes of the College for All Act of 2018. The Legislature may designate that any additional tax revenue generated by such adjustments are used consistent with the purposes of improving access to and quality of public education in California.

(h) The Legislature may enact legislation by a roll call vote of a majority of the membership of both houses of the Legislature and without voter approval through the initiative process to close any loopholes caused by the existing federal definitions as of January 1, 2017, incorporated in subsection (d), including the federal deductions and credits that allow individuals with estates of otherwise qualifying high value to avoid paying amounts of the California Estate Tax. The Legislature may designate that any additional tax revenue generated by such amendments are used consistent with the purposes of improving access to and quality of public education in California.

SECTION 5. Section 8 is added to Article 13A (Taxation Limitation) of the California Constitution, to read:

Section 3 of this article does not apply to the College for All Act of 2018.

SECTION 6. Section 15 is added to Article 13B (Government Spending Limitation) of the California Constitution, to read:

“Appropriations subject to limitation” of each entity of government shall not include appropriations of revenue from the Universal College Access Fund created by the College for All Act of 2018. No adjustment in the appropriations limit of any entity of government shall be required pursuant to Section 3 as a result of revenue being deposited in or appropriated from the Universal College Access Fund.

SECTION 7. Section 24 is added to Article 16 (Public Finance) of the California Constitution, to read:

The tax imposed by Section 4 of the College for All Act of 2018, adding Article 13E to the California Constitution, and the revenue derived therefrom for the Universal College Access Fund, including investment interest, shall not be deemed to be General Fund revenue for purposes of Section 8 or Section 20 through 22 and the implementing statutes. This revenue shall not be deemed to be “General Fund revenues,” “state revenues,” or “General Fund proceeds of taxes” for purposes of subdivisions (a) and (b) of Section 8 and Sections 20 through 22 and the implementing statutes.

SECTION 8. Part 71, titled “Universal College Access,” is added to Division 14 of Title 3 of the Education Code, commencing with Section 101150, to read:

Chapter 1. Universal College Access Fund

101150. The Universal College Access Fund is created in the State Treasury, consistent with Article 13E of the California Constitution, to receive all revenues, net of refunds, derived from the California Estate Tax imposed under Article 13E of the California Constitution, as implemented by Section 13301 et seq. of the Revenue and Taxation Code.

101151. Notwithstanding Section 13340 of the Government Code, moneys in the Universal College Access Fund are hereby continuously appropriated to the Franchise Tax Board without regard to fiscal years for allocation for the funding of student financial assistance for tuition and fees or expenses for undergraduate students enrolled at the University of California, the California State University, and the California Community Colleges.

101152. The Universal College Access Fund is created for the exclusive purpose of funding access to public higher education in California.

101153. The Universal College Access Fund shall not be used to supplant other state or federal funds for public higher education, including but not limited to funds utilized to provide financial assistance for Californians enrolled in public higher education. This Fund shall supplement other financial assistance for Californians attending public

institutions of higher education, including the funds provided pursuant to the Ortiz-Pacheco-Poochigian-Vasconcellos Cal Grant Program established pursuant to Chapter 1.7 of Part 42 and as set forth in Section 66021.2.

101154. Revenues deposited into this Fund shall be expended only for the purposes expressed in the College for All Act of 2018 and shall not be subject to appropriation, reversion, or transfer by the Legislature, the Governor, the Director of Finance, or the Franchise Tax Board for any purpose other than those specified. Nor shall such revenues be loaned to the General Fund or to any other fund of the state or any local government fund.

101155. Consistent with the requirements of California Constitution Article 13E, Section 2(e), moneys appropriated to the Universal College Access Fund shall be spent exclusively for the following purposes and in the following order of priority:

(a) First Priority: Expanded Cal Grant B Awards. The Fund shall be used to cover the following expansions to Cal Grant B eligibility set forth in this College for All Act of 2018:

(1) tuition and fees for students in their first year attending a public institution, made eligible to receive a Cal Grant B award by Section 69435(a)(2), as amended;

(2) up to four years of tuition and fees at an institution of public higher education for otherwise qualified students who graduated from a California high school more than one year before admission to a public institution of higher education, made eligible to receive a Cal Grant B award by Section 69435.3(a)(1)(B), as amended; and

(3) up to four years of tuition and fees at an institution of public higher education to any students who would have been ineligible under the high school GPA requirement in Section 69435.3(a)(3) that was in effect as of January 1, 2017.

(b) Second Priority: Expanded Cal Grant B Access Awards. The Fund shall be used to cover the following expansions to Cal Grant B Access Awards set forth in this College for All Act of 2018:

1) up to four years of Cal Grant B access awards in the amounts above the annual maximum of \$1,672 for the 2017-18 academic year, and up to \$3,000, awarded to any student eligible to receive a Cal Grant B access award at a public institution of higher education pursuant to Section 69435(b)(2), as amended; and

2) up to four years of the entire amount of access grants up to \$3,000 awarded to otherwise qualified students who graduated from a California high school more than one year before admission to a public institution of higher education, made eligible to receive a Cal Grant B award by Section 69435.3(a)(1)(B), as amended.

(c) Third Priority: Expanded Cal Grant A Awards. The Fund shall be used to cover the following expansions of Cal Grant A Awards set forth in this College for All Act of 2018:

1) up to four years of tuition and fees at an institution of public higher education for those otherwise qualified students who graduated from a California high school more than one year before admission to a public institution of higher education, made eligible to receive a Cal Grant A award by Section 69434(b)(1)(B), as amended; and

2) up to four years of tuition and fees at an institution of public higher education for any otherwise qualified students who would have been ineligible under the high school GPA requirement in Section 69434(b)(3) that was in effect as of January 1, 2017.

(d) Fourth Priority: Universal Access Grants. The Fund shall be used to cover up to four years of mandatory systemwide tuition and fees for those students eligible to receive a Universal Access Grant, pursuant to Chapter 2 of Part 71, commencing with Section 101162.

101156. Money from the Universal College Access Fund shall be spent to exhaust the annual need for each category identified in subdivisions (a) through (d) of Section 101155, before spending any remaining money from the Fund on the next category, in the order of priority created by that section.

101157. In any fiscal year in which monies appropriated to the Fund exceed those required to cover Fund expenses in all categories listed in Section 101155, the excess amount shall be held in reserve for use in future years for the purposes set forth in Section 101155. In the event that the Fund receives sustained and ongoing surpluses in excess of all Fund expenses in all categories identified in Section 101155 for three consecutive years, the Legislature may enact legislation by majority vote and without voter approval through the initiative process to authorize use of those surpluses for purposes consistent with improving access to and the quality of public education in California.

101158. Nothing in this Chapter shall be construed to reduce any existing obligation of the University of California, the California State University, the California Community

Colleges to provide student financial assistance. Nothing in this Chapter shall be construed to reduce the amount of student financial assistance otherwise available under any section of the Education Code or other state law, including but not limited to funding for the Ortiz-Pacheco-Poochigian-Vasconcellos Cal Grant Program, pursuant to Section 66021.2 and Chapter 1.7 of Part 42; funding for the Middle Class Scholarship pursuant to Article 22 of Chapter 2 of Part 42; and the College Access Tax Credit Fund, pursuant to Section 17053.87 of the Revenue and Taxation Code.

101159. The California Student Aid Commission shall establish regulations to implement and enforce the requirements of this Part and Sections 69434, 69435, and 69435.3, as amended by this College for All Act of 2018. Such regulations shall ensure that spending for low income students is prioritized before middle income students, and for middle income students before higher income students, within the categories specified in Section 101155.

101160. Nothing in this Part shall be construed to reduce the existing authority or responsibility to administer financial aid of the California Student Aid Commission or the California Community Colleges Chancellor's Office.

101161. If the purposes of the Universal College Access Fund, as set forth in Section 101152 and Section 1 of Article 13E of the California Constitution, will be better served by adjusting or changing the spending priorities set forth in Section 101155, or by otherwise amending Sections 101155, 101156 or 101157, the Legislature may amend those sections by majority vote and without voter approval through the initiative process.

Chapter 2. Universal College Access Grant Program

101162. Consistent with the state's historic commitment to provide educational opportunity by ensuring both universal student access to and opportunity to select an institution of higher education for students who are residents of the state of California, without regard to their ability to pay or incur debt, there shall be created a "Universal Access Grant Program" to: 1) supplement existing sources of financial aid including the Cal Grant Program; and 2) offset the remaining cost of tuition and fees at public institutions of higher education for Californians, as set forth in this Chapter, without regard to financial need.

101163. The Universal Access Grant Program shall be used to supplement and not to replace or to reduce the funds for financial aid available to students at California public institutions of higher education, including but not limited to funds for the Ortiz-Pacheco-Poochigian-Vasconcellos Cal Grant Program, pursuant to Section 66021.2 and Chapter 1.7 of Part 42, and funds for the Middle Class Scholarship pursuant to Article 22 of Chapter 2 of Part 42, and the College Access Tax Credit Fund, pursuant to Revenue and Taxation Code 17053.87.

101164. Grants

- (a) *The awards provided by the Universal Access Grant Program shall be called Universal Access Grants.*
- (b) *Any undergraduate student enrolled at least part-time, as defined in Section 69432.7 (i.e. in at least 6 credit units), and charged tuition or fees by the University of California, California State University, or a California community college shall be eligible for up to four years of Universal Access Grants if he or she complies with the application procedures established pursuant to Section 101167, except as provided in subdivision (c).*
- (c) *Non-resident students as defined in this Code shall not be eligible for Universal Access Grants, except for those students exempted from non-resident tuition by the version of Section 68130.5 in effect as of January 1, 2017, who shall be eligible for Universal Access Grants at the University of California, California State University and the California community colleges.*
- (d) *The maximum Universal Access Grant provided to any eligible student shall be the mandatory systemwide tuition and fees in the segment attended by the student. The amount of any Universal Access Grant provided to any eligible student shall be reduced by the following types of aid provided to that student for that academic term: 1) any Cal Grant A or B award paying for tuition and fees, but not any Cal Grant B access award; and 2) any other grant or gift provided by the institution, state, private, federal, or any other source that covers the cost of tuition and/or fees. "Grant or gift aid" means any form of financial aid funds that a student is not obligated to pay back, and does not include any type of loan.*
- (e) *Students who receive statutory fee waivers and are thereby not obligated to pay any mandatory systemwide tuition or fees at a public institution of education shall not be eligible for a Universal Access Grant.*
- (f) *No student shall receive a Universal Access Grant in an amount that exceeds the mandatory systemwide tuition and fees in the segment attended by the student.*
- (g) *No student shall receive a Universal Access Grant in an amount, when added to the amount of Cal Grant A or B awards for which he or she is eligible, other than Cal Grant B access awards, that exceeds the mandatory systemwide tuition and fees in the segment attended by the student.*
- (h) *Awards made under this section are contingent on available funding and are not entitlements. The submission of an application by a student under this section shall not entitle that student to an award.*

(i) *If the available funding for Universal Access Grants is not sufficient to fund the maximum amount of grant for all eligible students, Universal Access Grants shall be funded in the following order of priority:*

- (i) *Any student who was previously eligible for Cal Grant funding but became ineligible in a renewal year;*
- (ii) *“Fulltime” students at California Community Colleges, as defined in Section 69432.7;*
- (iii) *“Fulltime” students at California State University, as defined in Section 69432.7;*
- (iv) *“Part-time” students at California Community Colleges, as defined in Section 69432.7;*
- (v) *“Part-time” students at California State University, as defined in Section 69432.7;*
- (vi) *“Fulltime” students at the University of California, as defined in Section 69432.7;*
- (vii) *“Part-time” students at the University of California, as defined in Section 69432.7.*

Funds shall be expended to exhaust each of the above categories of students before funding the next category. If the remaining funds are insufficient to fund the maximum need for all eligible students in a category, the remaining funds shall be distributed to all eligible students in that category on a pro rata basis.

101165. The funding for the Universal Access Grant Program is provided by the Universal College Access Fund. The annual funding for the Universal Access Grant Program is contingent on the monies available in that Fund, as set forth in Chapter 1.

101166. The California Student Aid Commission shall establish regulations to implement and enforce the requirements of the Universal Access Grant Program.

101167. Each public institution of higher education in California shall create an application process for the Universal Access Grants that requires students to demonstrate eligibility or ineligibility for Cal Grants A and B and federal grant aid, and allows the California Student Aid Commission and institution to administer awards in amounts consistent with the requirements of this Chapter. Neither the Commission nor any institution shall impose substantive eligibility requirements for Universal Access Grants in addition to the requirements of this Chapter.

101168. Award of a Universal Access Grant shall not guarantee admission to an institution of higher education or admission to a specific campus or program.

101169. A public institution of higher education that participates in the Universal Access Grant Program shall not reduce its level of per capita need-based institutional financial aid to resident undergraduate students and students exempted from non-resident tuition by Section 68130.5, excluding loans, below the per capita level awarded in the 2016-2017 academic year.

101170. If the purposes of this Chapter will be better served by amending Sections 101162 through 101169 above, the Legislature may amend those sections by majority vote and without voter approval through the initiative process, consistent with the purposes of this Chapter.

SECTION 10. Sections 69434, 69435, and 69435.3 of the Education Code are amended, to read:

SECTION 10.1. Section 69434 is amended to read:

(a) A Cal Grant A award shall be used only for tuition or student fees, or both, in a for-credit instructional program with a length of not less than two academic years. Each student who meets the Cal Grant A qualifications as set forth in this article shall be guaranteed an award. The amount of any individual award is dependent on the cost of tuition or fees, or both, at the qualifying institution at which the student is enrolled. For each applicant, the award amount shall not exceed the amount of the calculated financial need.

(b) Pursuant to Section 66021.2, any California resident is entitled to a Cal Grant A award, and the commission, or a qualifying institution pursuant to Article 8 (commencing with Section 69450), shall allocate that award, if all of the following criteria are met:

(1) (A) *For students attending private institutions, ~~The~~ the student has submitted, pursuant to Section 69432.9, a complete financial aid application, submitted or postmarked no later than March 2 of the academic year of high school graduation or its equivalent for the award year immediately following the academic year of high school graduation or its equivalent, or no later than March 2 of the academic year following high school graduation or its equivalent for the second award year following the year of high school graduation or its equivalent;* or

(B) *For students attending public institutions, the student has submitted, pursuant to Section 69432.9, a complete financial aid application,*

submitted or postmarked no later than March 2 of the academic year prior to attending the institution of higher learning.

(2) The student demonstrates financial need pursuant to Section 69433.

~~(3) The student attains a high school grade point average of at least 3.0 on a four point scale.~~

~~(4)~~ (3) The student's household has an income and asset level that does not exceed the level for Cal Grant A recipients set forth in Section 69432.7.

~~(5)~~ (4) The student is pursuing an undergraduate academic program of not less than two academic years that is offered by a qualifying institution.

~~(6)~~ (5) The student is enrolled at least part time.

~~(7)~~ (6) The student meets the general Cal Grant eligibility requirements set forth in Article 1 (commencing with Section 69430).

~~(8)~~ (7) The student graduated from high school or its equivalent during or after the 2000–01 academic year.

(c) (1) A student who meets the Cal Grant A Entitlement Program criteria specified in this article shall receive a Cal Grant A award for tuition or fees, or both, pursuant to Section 66021.2.

(2) A community college student participating in a baccalaureate degree program pursuant to Article 3 (commencing with Section 78040) of Chapter 1 of Part 48 of Division 7 who meets the Cal Grant A Entitlement Program criteria specified in this article shall receive a Cal Grant A award for upper division coursework fees pursuant to Section 66021.2.

SECTION 10.2. Section 69435 is amended to read:

(a) (1) A Cal Grant B award shall be used only for tuition, student fees, and access costs in a for-credit instructional program that is not less than one academic year in length.

(2) The commission, or a qualifying institution pursuant to Article 8 (commencing with Section 69450), shall award access grants ~~in an student's first academic year. In subsequent years, the award shall include~~ and an additional amount to pay tuition or fees, or both, to attend college at a public or private four-year college or university or other qualifying institution for all Cal Grant B awards pursuant to

paragraph (2) of subdivision (b) of Section 66021.2. In no event shall the total award in any year exceed the applicant's calculated financial need.

~~(3) Not more than 2 percent of new Cal Grant B recipients enrolling for the first time in an institution of postsecondary education shall be eligible for payments for tuition or fees, or both, in their first academic year of attendance. The commission shall adopt regulations specifying the criteria used to determine which applicants, if any, receive both tuition and fees plus the access grant in the first year of enrollment. Priority shall be given to students with the lowest expected family contribution pursuant to Section 69432.7 and the highest level of academic merit.~~

(b) (1) An award for access costs under this article shall be in an annual amount not to exceed one thousand five hundred fifty-one dollars (\$1,551) *at private institutions; and*

(2) An award for access costs at public institutions under this article shall be in an annual amount not to exceed three thousand dollars (\$3,000) at public institutions.

~~(3) This amount may be adjusted in the annual Budget Act. These amounts shall be adjusted annually to keep pace with increases in the cost of living in the State of California, and may be further increased by the Legislature without voter approval through the initiative process, including in the annual Budget Act.~~

SECTION 10.3. Section 69435.3 is amended to read:

(a) Any California resident is entitled to receive a Cal Grant B award, and the commission shall allocate that award pursuant to Section 66021.2, if all of the following criteria are met:

(1) (A) *For students attending private institutions, ~~the~~ the student has submitted, pursuant to Section 69432.9, a complete financial aid application, submitted or postmarked no later than March 2 of the academic year of the academic year of high school graduation or its equivalent for the award year immediately following the academic year of high school graduation or its equivalent, or no later than March 2 of the academic year following high school graduation or its equivalent for the second award year following the year of high school graduation or its equivalent-; or*

(B) For students attending public institutions, the student has submitted, pursuant to Section 69432.9, a complete financial aid application,

submitted or postmarked no later than March 2 of the academic year prior to attending the institution of higher learning.

(2) The student demonstrates financial need pursuant to Section 69433.

~~(3) The student attains a high school grade point average of at least 2.0 on a four point scale.~~

~~(4)~~ (3) The student's household has an income and asset level that does not exceed the level for Cal Grant B recipients as set forth in Section 69432.7.

~~(5)~~ (4) The student is pursuing an undergraduate academic program of not less than one academic year that is offered by a qualifying institution.

~~(6)~~ (5) The student is enrolled at least part time.

~~(7)~~ (6) The student meets the general Cal Grant eligibility requirements set forth in Article 1 (commencing with Section 69430).

~~(8)~~ (7) The student graduated from high school or its equivalent during or after the 2000–01 academic year.

(b) A student, including a community college student participating in upper division coursework in a baccalaureate degree program pursuant to Article 3 (commencing with Section 78040) of Chapter 1 of Part 48 of Division 7, who meets the Cal Grant B Entitlement Program or Competitive Program criteria specified in this article shall receive a Cal Grant B award for access costs and tuition and fees, as applicable, pursuant to Section 66021.2.

SECTION 11. If the purposes of this College for All Act of 2018 will be better served by further amending Sections 69434, 69435, and 69435.3 of the Education Code, the Legislature may amend those sections by majority vote and without voter approval through the initiative process, consistent with the purposes of this Act.

SECTION 12. Sections 13301, 13302, 13303, 13501, 14301, and 14302 of the Revenue and Taxation Code are revised and amended, and Section 13305 is added, to read:

SECTION 12.1. The name of Part 8 of the Revenue and Taxation Code is amended to read: "~~Prohibition of Gift and Death~~ Estate Taxes."

SECTION 12.2. Section 13301 is repealed and replaced with:

~~Neither the state nor any political subdivision of the state shall impose any gift, inheritance, succession, legacy, income, or estate tax, or any other tax, on gifts or~~

~~on the estate or inheritance of any person or on or by reason of any transfer occurring by reason of a death. For each taxable year beginning on or after January 1, 2019, in addition to any other taxes imposed by California law, a tax shall be imposed on the transfer of the taxable estate of every decedent who is a resident of the California or owned real or tangible property located in California, which shall be hereinafter referred to as the "California Estate Tax."~~

SECTION 12.3. Section 13302 is repealed and replaced with:

~~Notwithstanding the provisions of Section 13301, whenever a federal estate tax is payable to the United States, there is hereby imposed a California estate tax equal to the portion, if any, of the maximum allowable amount of the Credit for State Death Taxes, allowable under the applicable federal estate tax law, which is attributable to property located in the State of California. However, in no event shall the estate tax hereby imposed result in a total death tax liability to the State of California and the United States in excess of the death tax liability to the United States which would result if this section were not in effect. The California Estate Tax is not contingent on the amount of any Credit for State Death Taxes allowable under the applicable federal estate tax law.~~

SECTION 12.4. Section 13303 (added by Proposition 6) is amended to read:

The Legislature shall provide for the collection and administration of the tax imposed by Section 13302~~1~~, *including amending as necessary any Section in this Part, consistent with the applicable provisions of the California Constitution and the purposes of this College for All Act of 2018, by majority vote and without voter approval through the initiative process.*

SECTION 12.5. Section 13305 is added to Chapter 1 of Part 8 of the Revenue and Taxation Code, to read:

13305. A state-registered domestic partner of a decedent is deemed to be a surviving spouse and entitled to a deduction from the California taxable estate for any interest passing from the decedent to the domestic partner, consistent with section 2056 or 2056A of the federal Internal Revenue Code but regardless of whether such interest would be deductible from the federal gross estate under section 2056 or 2056A of the Internal Revenue Code.

SECTION 12.6. Sections 13303 (added by Stats. 1982, Ch. 1535, Sec. 15) and 13304, and 13411 are repealed:

~~13303. In a case where a decedent leaves property having a situs in this state, and leaves other property having a situs in another state, or other states, the portion of the maximum~~

~~state death tax credit allowable against the federal estate tax on the total estate by the federal estate tax law which is attributable to the property having a situs in California shall be determined in the following manner:~~

- ~~(a) For the purpose of apportioning the maximum state death tax credit, the gross value of the property shall be that value finally determined for federal estate tax purposes.~~
- ~~(b) The maximum state death tax credit allowable shall be multiplied by the percentage which the gross value of property having a situs in California bears to the gross value of the entire estate subject to federal estate tax.~~
- ~~(c) The product determined pursuant to subdivision (b) shall be the portion of the maximum state death tax credit allowable which is attributable to property having a situs in California.~~

~~13304. In a case where the gross estate of a decedent includes property having a situs in this state, and includes other property having a situs in another state, or other states, the portion of the maximum state death tax credit allowable against the federal estate tax on the total estate by the federal estate tax law that is attributable to the property having a situs in California shall be determined in the following manner:~~

- ~~(a) For the purpose of apportioning the maximum state death tax credit, the gross value of the property shall be that value finally determined for federal estate tax purposes.~~
- ~~(b) The maximum state death tax credit allowable shall be multiplied by the percentage which the gross value of property having a situs in California bears to the gross value of the entire estate subject to federal estate tax.~~
- ~~(c) The product determined pursuant to subdivision (b) shall be the portion of the maximum state death tax credit allowable that is attributable to property having a situs in California.~~

~~13411. "Federal credit" means the maximum amount of the credit for state death taxes allowed by Section 2011 of the United States Internal Revenue Code of 1954, as amended or renumbered in respect to a decedent's taxable estate.~~

SECTION 12.7. Section 13501 is amended to read:

13501. The personal representative of every estate subject to the tax imposed by this part who is required to file a federal estate tax return shall file with the ~~Controller~~ *Franchise Tax Board* on or before the federal estate tax return is required to be filed both of the following:

(a) A return for the tax due under this part.

(b) A true copy of the federal estate tax return.

The personal representative of every estate subject to the tax imposed by this part who is not required to file a federal estate tax return shall file with the Franchise Tax Board a return for the tax due under this part on or before the federal estate tax deadline that would be applicable to that return if such a return were required.

SECTION 12.8. Section 14301 is amended to read:

14301. All taxes and other money collected under this part and received by the Treasurer shall be deposited in the State Treasury to the credit of the ~~Estate Tax Fund, which fund is hereby created.~~ *Universal College Access Fund, consistent with the applicable provisions of the California Constitution.*

SECTION 12.9. Section 14302 is amended to read:

14302. The money in the ~~Estate Tax~~ *Universal College Access Fund* is hereby appropriated as follows:

(a) To pay the refunds authorized by this part and by Part 9.5 (commencing with Section 16700).

(b) The balance of the money in the Fund shall, on order of the ~~Controller~~ *Franchise Tax Board*, be transferred ~~to the unappropriated surplus in the State General Fund.~~ *consistent with the applicable provisions of the California Constitution and as required pursuant to the Education Code.*

SECTION 13. This Act shall be broadly construed to accomplish its purposes. If the provisions of this Act, or part thereof, are for any reason held to be invalid or unconstitutional, the remaining provisions shall not be affected, but shall remain in full force and effect and to this end the provisions of this act are severable.

SECTION 14. Amendments. Except as expressly provided herein, this Act may only be amended by the electors as provided in subdivision (c) of Section 10 of Article II of the California Constitution; or, only by a roll call vote of two-thirds of the membership of both houses of the Legislature, and all such amendments to this Act shall be to further the Act and shall be consistent with its purposes.

SECTION 15. Effective Date. This act shall become effective as provided in Section 10(a) of Article II of the California Constitution; provided, however, the amendments and revisions to the Revenue and Taxation Code shall become effective January 1, 2019; and provided, however, the

amendments and revisions to Sections 69434, 69435, and 69435.3 of the Education Code shall become effective August 1, 2019.

SECTION 16. Conflicting Measures.

(a) It is the intent of the People that in the event that this measure and another measure relating to the taxation of estates shall appear on the same statewide election ballot, the provisions of the other measure or measures shall not be deemed to be in conflict with this measure, and if approved by the voters, this measure shall take effect notwithstanding approval by the voters of another measure relating to the taxation of estates by a greater number of affirmative votes.

(b) If this measure is approved by the voters but superseded by law by any other conflicting ballot measure approved by the voters at the same election, and the conflicting measure is later held invalid, this measure shall be self-executing and given the full force of law.



November 30, 2017

RECEIVED

NOV 30 2017

Hon. Xavier Becerra
Attorney General
1300 I Street, 17th Floor
Sacramento, California 95814

INITIATIVE COORDINATOR
ATTORNEY GENERAL'S OFFICE

Attention: Ms. Ashley Johansson
Initiative Coordinator

Dear Attorney General Becerra:

Pursuant to Elections Code Section 9005, we have reviewed the proposed statutory initiative pertaining to estate taxes and financial aid for college (A.G. File No. 17-0038, Amendment No. 1).

BACKGROUND

Estate Taxes

Federal Government Collects an Estate Tax. The federal estate tax applies to the transfer of assets at death. In 2016, Californians paid \$3.9 billion in federal estate taxes. As of 2017, the tax applies to estates valued over \$5.49 million. Estates include assets such as stocks, real estate, bonds, cash, and business holdings. The tax also applies to some gifts (money and property items) given to others from the estate. The federal estate tax does not apply to certain items, such as assets transferred to a surviving spouse.

California Currently Does Not Collect a State Estate Tax. California previously levied its own inheritance tax similar to an estate tax. Under a measure passed by the state's voters in 1982, the inheritance tax was eliminated but the state was allowed under a provision in federal estate tax law to collect a portion of the revenues collected under the federal tax. The federal government changed that provision in 2001 and permanently eliminated it in 2012. For these reasons, California no longer levies any taxes upon the death of an individual.

Higher Education

California Has Three Public Higher Education Segments. The state's three public higher education segments are (1) the University of California (UC), which serves as the state's primary public research university and provides instruction and grants degrees through the doctorate; (2) the California State University (CSU), which provides instruction and grants degrees generally through the master's degree; and (3) the California Community Colleges (CCC), which provides lower division undergraduate instruction and grants associate degrees and certificates.

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In addition to the public sector, California has a private sector consisting of nonprofit and for-profit colleges and universities.

Tuition Charges Vary by Segment. Systemwide tuition and fees for the academic year are generally highest at UC (\$12,630 for a full-time undergraduate in the 2017-18 academic year) and lowest at CCC (\$1,380 for a full-time credit student in 2017-18). In addition to these charges, students pay various other expenses, such as campus-specific charges for certain services (such as health services), textbook costs, and housing and food costs.

State Offers Financial Aid for College. To reduce the financial barriers of attending college, numerous state programs provide aid to undergraduate students. The Cal Grant program is the state's largest program. The main types of Cal Grant awards guarantee grants to recent California high school graduates who meet certain financial need and academic criteria. The program offers Cal Grant A and B awards. The Cal Grant A award has a lower financial need requirement but a higher academic requirement than the B award. The Cal Grant A award covers systemwide tuition and fees for undergraduates at UC and CSU for four years of full-time enrollment or the equivalent. The Cal Grant B award also covers systemwide tuition and fees but not in a student's first year of college. Though not providing tuition coverage the first year, the Cal Grant B provides some nontuition coverage for four years of full-time enrollment or the equivalent. Known as access awards, these awards help cover some living expenses, such as the cost of books, supplies, and transportation. In addition to the Cal Grant program, the state and segments offer other financial aid programs that cover tuition, fees, and/or some living expenses.

PROPOSAL

Estate Taxes

New California Estate Tax. This measure creates a new California estate tax beginning in 2019. California estates would be subject to the tax if their value is above \$3.5 million. The tax would be imposed on transfers of (1) estate assets owned by California residents and (2) estate assets located in California. Though based on current federal estate tax rules, California's tax would continue even if the federal government chose to change or eliminate its estate tax in the future.

Amount of Tax Depends on the Taxable Estate Value. The taxable estate value is the estate value less deductions. Deductions include funeral expenses, administrative expenses, and indebtedness on the property (such as unpaid mortgages). The amount estates will be taxed depends on the taxable estate value and the tax rate associated with that value. Figure 1 (see next page) shows the tax rate increases as the taxable estate value increases.

Figure 1	
Proposed Estate Tax Rates	
Taxable Estate Value	Tax Rate
Under \$3.5 million	Not applicable
\$3.5-\$4 million	12%
\$4-\$4.5 million	15
\$4.5-\$5 million	17
\$5-\$5.49 million	20
Above \$5.49 million	22

Legislature’s Authority to Change Tax. The measure allows the Legislature—with a two-thirds vote—to change the tax brackets and rates shown in Figure 1 beginning in 2020. Also, while the measure generally applies federal estate tax rules and definitions to the new state tax, the Legislature—by a majority vote—could “close any loopholes” in the existing federal estate tax rules, including, but not limited to, changes to federal deductions and credits that would otherwise allow some Californians to pay a smaller amount of state estate taxes.

Higher Education

First Call on Funds Is Expanding Cal Grant Program. Under the measure, revenue from the new estate tax is used first to expand the Cal Grant program in specific ways. All of the proposed Cal Grant changes would apply only to students attending public higher education segments. Funds first would be used to provide tuition coverage in the first year of college for Cal Grant B recipients and eliminate two Cal Grant B entitlement criteria—the requirements that students be recent high school graduates and meet academic criteria. If funds are sufficient for these purposes, they then would be used to increase the Cal Grant access award for all Cal Grant B eligible students from \$1,672 to \$3,000, with a cost-of-living adjustment applied annually thereafter. If funds still remain, then the requirements that students be recent high school graduates and meet academic criteria would be eliminated for Cal Grant A recipients too.

Any Remaining Funds Used for a New Financial Aid Program. Any funds remaining after expanding the Cal Grant program would be designated for new “Universal Access Grants.” These grants would cover tuition and fees for *all* undergraduate, resident students attending the public segments who do not already have their tuition and fees covered by other sources of financial aid. Among these students, priority would be awarded in the following order: (1) students who were previously eligible for Cal Grant funding but became ineligible the following year, typically because they could no longer demonstrate financial need; (2) full-time students at CCC; (3) full-time students at CSU; (4) part-time students at CCC; (5) part-time students at CSU; (6) full-time students at UC; and (7) part-time students at UC. If funds are insufficient to fund maximum need for all students in a category, funds would be distributed to all students in that category on a pro-rata basis.

Other Major Education Provisions. In the event the amount of estate tax revenue collected exceeds financial aid costs for three consecutive years, the Legislature may use the surplus to improve access and quality of public education. To further the purposes of the measure and

promote access to public higher education, the Legislature may adjust or change the spending priorities and the surplus provision by majority vote. The measure also specifies that revenue from the new tax may not be used to supplant other state or federal funds for public higher education and that the segments may not reduce current per-capita institutional financial aid spending.

Fiscal Effects

Increased State Tax Revenue. We estimate the measure's estate tax would increase state tax revenue a few billion dollars per year, likely ramping up over the first few years of implementation. After accounting for the ramping-up effect, revenue collections could go up and down from one year to the next based upon the following main factors:

- ***Economy and Stock Market.*** Estate values are dependent on the economy and the stock market. Estate tax revenues would be volatile: higher in good economic years and lower in bad economic years.
- ***Future Legislative Actions.*** The Legislature would be able to change estate tax rates and other features of the tax in the future. The Legislature's future actions, therefore, could increase or decrease the revenue generated from the tax.
- ***Taxpayer Decisions.*** Implementing the estate tax could cause taxpayers to make decisions that would decrease associated revenue. For example, a taxpayer might decide to move out of state during his or her lifetime to avoid all or part of the tax, actions which could significantly decrease revenue from the measure. In making estimates about the tax revenue generated by this measure, we currently are unable to predict the magnitude of these taxpayer decisions.

More Financial Aid Spending. We estimate that expanding the Cal Grant program in the ways specified under the measure and providing Universal Access Grants likely together would cost a few billion dollars annually, with each comprising roughly half of the estimated cost. For both the Cal Grant expansion and the Universal Access Grants, costs could vary from our estimate and vary year to year due to two main factors:


- ***Student Decisions.*** The measure might affect student behavior, resulting in more students overall attending college or more students attending the public higher education segments. The measure also might promote more students attending full time. These behavioral effects could have notable impact on the cost of the measure.
- ***Institutional Decisions.*** The measure might affect how colleges and universities structure their institutional aid programs. The measure might also affect tuition and fee levels at colleges and universities, which in turn, could affect student behavior and associated financial aid costs.

Summary of Fiscal Effects

This measure would have the following major fiscal effects:

- Increased state revenues of a few billion dollars annually, ramping up over the initial few years—with amounts depending upon economic trends, future legislative actions, and taxpayer decisions.
- The increased revenues would be dedicated first to subsidizing the costs of higher education for students, with any remaining monies dedicated to public education.

Sincerely,


for Mac Taylor
Legislative Analyst


Sp Michael Cohen
Director of Finance